Nightingale Finvest Private Limited (NFPL)

October 22, 2024

Reclassification of Instruments – Proposed Bank loan facilities

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term facilities	76.04 (Enhanced from 72.36)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Proposed Long Term facilities	0.33 (Reduced from 4.01)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	Reaffirmed	Simple
Total	**76.37 (Rupees Seventy-six crore and thirty-seven lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

There was reclassification of the proposed bank loan facilities aggregating to Rs 4.01 crore out of which the company has received the sanction of Long-Term Bank Facility Term Loan of Rs 3.68 crore out of the proposed term loans of Rs. 4.01 crore. Accordingly, proposed term loan has reduced to Rs 0.33 crore from Rs 4.01 crore.

The reaffirmation of ratings to the bank facilities of Nightingale Finvest Private Limited (NFPL) which continues to derive comfort from extensive experience of promoters and management, an established presence in microfinance lending, healthy asset quality along with satisfactory overall gearing, improved capitalisation, and consistent growth in AUM supported by an established network. The rating, however, is constrained by the modest scale of operations and profitability, regional concentration of portfolio, competitive nature of industry and product concentration.

The Positive Outlook reflects the company's improved portfolio in FY24 (refers to period April 1st, 2023, to March 31st, 2024) and Q1FY25, comfortable capital adequacy and asset quality, an increase in BC partners, and the anticipated overall improvement in financial and operational parameters in FY25 and beyond, supported by the expected infusion of equity.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in loan portfolio resulting in improved revenues and profitability, liquidity, and capitalisation of the company.

Downward Factors

- Substantial decrease in revenues and profitability coupled with deterioration in asset quality and liquidity levels of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoters and management

The senior management team has extensive experience in Micro finance lending. Prior relevant experience of the promoters, Mr. Mantu Nath Sharma, Mr. Rukunuddin Ahmed and Mr. Pratap Chakravarty, brings in a high degree of operational expertise. Also, the board of directors include Mrs. Olee Bora as Nominee Director (NEDFi, General Manager) having an experience of two decades in the finance industry; Mr. Ajay Vyas (Retd. Executive Director of UCO Bank), having more than three decades of experience in the finance industry and Mr. Manish Agarwalla, as Independent Director, having more than five year of experience in the finance industry.

Established presence in microfinance lending

Since 2004, the company started with Micro-Finance activities with financial assistance received from Rashtriya Vikash Nidhi (RGVN) and North-eastern Development Finance Corporation Limited (NEDFi). NFPL focuses on lending to Joint Liability Groups, where the members are jointly liable for the repayment of the loan disbursed. The groups guarantee and peer pressure ensures timely repayment of loans which reduces the risk of default.

Healthy asset quality

The company’s loan portfolio remains stable as the company largely lends in the JLG with average ticket size of Rs.38,000 respectively. In FY24, the company’s Gross NPA and the Net NPA ratio stood at 0.58% and 0.12% respectively as compared to 0.73% and 0.16% as on March 31, 2023 (refers to period April 1st, 2022, to March 31st, 2023) . As the company has sustained to improve collection efficiency along with better credit assessment the GNPA and NNPA improved in FY24.

Further during Q1FY25 NFPL’s NNPA ratio moderated at 0.11% due to improved average collection efficiency at 99.30% for month last 12 months ended March 2024.

Satisfactory overall gearing and moderate capitalisation

The company’s capital structure marked by overall gearing stood moderately high at 4.63x as on March 31, 2024, with nominal change witnessed as against 3.95x as on March 31, 2023, due to sizeable tangible networth at Rs 17.24 crore as on March 31, 2024. While the Company has been in the process of improving its exposure meanwhile increasing its overall lending portfolio backed by Private equity & borrowings. NFPL’s capitalisation remained moderate with total CRAR of 29.74% in FY24 as against 31.75%. in FY23.

Consistent growth in AUM backed by established network

NFPL primarily focuses on lending of JLG and Individual loan, primarily in the northern-eastern states of India. Over the years, the company has successfully maintained its operations in 4 states covering 22 districts comprising of 48 branches and ~49601+ odd borrowers as on June 30, 2024. The Company’s total Asset Under Management (AUM) stood at Rs 137.88 Crore in FY24 as against Rs 88.58 Crore in FY23 on account of substantial growth in its managed portfolio (Own book AUM in FY24: Rs 65.02 Crore and FY23: Rs 55.13 Crore) with the prudent practice adopted by the company in making the disbursements. NFPL takes off-book exposure through its associates with multiple financial institutions viz. Avanti Finance Private Limited, Northeastern Development Finance Corporation Limited, and more.

Key Rating Weaknesses

Modest scale of operations and profitability

The company has a loan portfolio of Rs 65.03 crore as on March 31, 2024, improved as against Rs 55.13 as on March 31, 2023.The company has total asset base of Rs 97.26 crore in FY24 improved as against Rs 76.36 crore in FY23 due to improved business operation.

The company's profitability marked by operating profit to income stood modest at 17.06% in FY24 as against 20.05% due to moderated interest expenses during the year. The company's business operation stood stable with ROTA and RONW stood moderate 2.41% and 12.79% in FY24 as against 2.43% and 13.30% in FY23.

Regional concentration of portfolio

The Company's operations are mainly concentrated in northern-eastern states India with its major disbursements originating from Assam. Besides, it has presence in other northeastern states like Arunachal Pradesh, Meghalaya, Mizoram. In FY24, 93% of the AUM is from the state of Assam, followed 3% in Meghalaya and remaining 2% & 2 % in the state of Arunachal Pradesh & Mizoram respectively.

Company operates through 21 branches spread across 17 districts namely Kamrup, Kamrup (Rural), Darrang, Nagaon, Barpeta, Bongaigaon, Morigaon, Karbi Anglong, Nalbari, Goalpara, Dhubri, Dhemaji, East Siang, East Khasi Hills, Aizawl, Hojai.

Competitive nature of industry

NFPL is exposed to stiff competition from other NBFCs and banks. The lending industry focused around SMEs/MSMEs, and small ticket unsecured loans is highly fragmented with unorganized lenders also vying for the same set of borrowers. However, the company's professional management and focused approach towards SME/MSME lending and conservative underwriting policy standards is expected to grow its business while mitigating the risks.

Product concentration

The Company's overall credit profile is susceptible to concentration towards Mirco financing which in turn is prone to inherent risk of low-mid income profile of the borrower. Company's entire loan book as on 31st March 2024 accounts to Mirco financing. The extent of disruption in credit profile of these borrowers can be established with certainty only after efficient collection going forward. As per the Company's record, they have a positive response in the collection as majority of its Mirco financing. Any long-term stress on the asset quality can lead to elevated credit cost. Avoiding fresh slippages while maintaining the growth in the AUM will be crucial.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Financial Institutions/NBFCs
Criteria of assigning Rating Outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity level of rated instruments/Facilities

Liquidity: Adequate

Liquidity is marked adequate by the balanced ALM profile for the short to medium term with sufficient cushion of inflows as against its repayment obligations largely because of its short-term lending type of loans as against term debt availed. Apart from it, the company maintains cash and cash equivalents of about Rs 28.79 Crore as on March 31st, 2024.

About the Company:

Nightingale Finvest Private Limited (NFPL) is an MFI-NBFC, which started its micro financing activities in 2003. Prior to 2011, the microfinance activities were carried out in the name of Nightingale Charitable Society. The Micro-Credit is being provided only to poor and low-income group to generate more income and raising the standard of living.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	14.04	17.48
PAT	1.94	2.09
Tangible Net worth	15.40	17.24
Total Asset	78.33	98.95
Ratios		
NIM (%)	7.82	6.30
ROTA (%)	2.43	2.41
Interest Coverage (times)	1.39	1.35
Total CAR (%)	31.75%	29.74%
Gross NPA [Stage III] (%)	0.73%	0.58%
Net NPA [Stage III] (%)	0.16%	0.12%

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in in 202-21
					May 31, 2023	March 02, 2022	December 09, 2020
1.	Term Loans	Long Term	72.36	IVR BB+/ Positive Outlook	IVR BB+/ Stable Outlook	IVR BB+/ Stable Outlook	IVR BB+/ Stable Outlook
2.	Proposed Term Loan	Long Term	4.01	IVR BB+/ Positive Outlook	IVR BB+/ Stable Outlook	IVR BB+/ Stable Outlook	IVR BB+/ Stable Outlook

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	Upto 2026	76.04	IVR BB+/ Positive
Proposed Term Loan	-	-	-	-	0.33	IVR BB+/ Positive

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-Nightingale-Finvest-oct24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at **www.infomerics.com**.